

TO THE SHAREHOLDERS:

FINANCIAL

Net earnings for the six months ended March 31, 1982 were \$6.7 million or \$2.50 per share compared with \$6.1 million or \$2.28 per share for the same period last year. The improvement in earnings of 9% results primarily from the shutdown of the operations of the Gooseberry Mine in May, 1981, offset by a substantial increase in taxes. Taxes more than doubled to \$7.3 million as a result of higher earnings, an increase in the Petroleum and Gas Revenue Tax rate from 8% to 12%, and the imposition of the Incremental Oil Revenue Tax, both effective January 1, 1982. The increase in taxes was offset in part by higher Alberta Royalty Tax Credits.

Gross revenues, net of royalties, declined by \$3.3 million to \$25.7 million for the six months ended March 31, 1982. Expenses, exclusive of taxes, declined by \$7.6 million. The reduction in revenues and expenses was principally attributable to the suspension of operations at the Gooseberry mine.

Funds generated from operations during the six months ended March 31, 1982 were \$12.9 million, virtually unchanged from last year. Funds generated from operations were more than sufficient to cover capital expenditures of \$8.1 million. Consequently, \$6.1 million of long term debt was retired and at March 31, 1982, the working capital deficiency amounted to \$5.5 million. The Company has unused lines of credit aggregating \$30 million which are more than adequate to meet future requirements for funds.

PRODUCTION

Average daily production of crude oil and natural gas liquids, before deduction of crown royalties, amounted to 6,554 barrels (1 042 cubic metres) compared with 7,327 barrels (1 165 cubic metres) for the same period a year earlier. Average daily natural gas sales amounted to 16,717 mcf (471 thousand cubic metres) compared with 19,628 mcf (553 thousand cubic metres) a year earlier. Marketing restrictions for Saskatchewan oil production, coupled with continued decline from older fields, more than offset an improvement in production from the Eagle area in British Columbia. Low gas nominations continued, reflecting the current over-supply of gas.

EXPLORATION AND DEVELOPMENT

During the six months ended March 31, 1982, the Company had interests in the drilling of 10 exploratory and 23 development wells. The exploratory drilling program resulted in one oil well, two gas wells, four dry holes, and three were still drilling on March 31, 1982. Development drilling resulted in eight oil wells, nine gas wells, five dry holes and at March 31, 1982 one was still drilling.

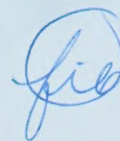
In April 1982, an exploratory well in the Edson area of Alberta (41.7%) was cased to total depth as a potential gas well. In the second quarter, the Scurry Hercules well (100%), southeast of Edmonton, was found to be non-productive and abandoned.

In the Farrow area, east of Calgary, two recently completed development wells (100%) were equipped with pumping units and placed on production tests. In the Fort St. John area of British Columbia, five wells were completed as oil wells. These wells are expected to qualify for the new oil reference price.

R. J. Haskayne

Calgary, Canada
May 6, 1982

President and
Chief Executive Officer



Scurry-Rainbow Oil Limited

INTERIM REPORT TO SHAREHOLDERS

FOR THE SIX MONTHS ENDED MARCH 31, 1982

2300 HOME OIL TOWER
324 - 8TH AVENUE S.W.
CALGARY, ALBERTA
T2P 2Z5

Scurry-Rainbow Oil Limited

CONSOLIDATED STATEMENT OF EARNINGS

	For the Six Months Ended March 31,	
	1982	1981
	(\$000's omitted)	
REVENUE		
Operating	\$ 25,347	\$ 28,495
Equity income	27	60
Other income	285	411
	<u>25,659</u>	<u>28,966</u>
EXPENSE		
Operating and general	6,160	12,430
Depletion and depreciation	4,341	5,229
Interest and expense on long term debt	687	1,353
Other interest	477	267
Minority interest	31	64
	<u>11,696</u>	<u>19,343</u>
EARNINGS BEFORE TAXES	<u>13,963</u>	<u>9,623</u>
TAXES		
Income taxes — current	1,701	719
— deferred	2,102	1,727
Petroleum and gas revenue tax	2,746	1,070
Incremental oil revenue tax	730	—
	<u>7,279</u>	<u>3,516</u>
NET EARNINGS	<u>\$ 6,684</u>	<u>\$ 6,107</u>
EARNINGS PER SHARE	<u>\$ 2.50</u>	<u>\$ 2.28</u>

Approved on behalf of the Board:

R. J. Haskayne
Director

G. J. Haskayne
Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	For the Six Months Ended March 31,	
	1982	1981
	(\$000's omitted)	
FUNDS WERE OBTAINED FROM		
Operations	\$ 12,949	\$ 12,904
Sale of assets	148	351
Other	231	382
	<u>13,328</u>	<u>13,637</u>
FUNDS WERE USED FOR		
Property, plant and equipment	8,139	11,303
Reduction in long term debt	6,110	5,520
	<u>14,249</u>	<u>16,823</u>
DECREASE IN WORKING CAPITAL WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF PERIOD	(921)	(3,186)
	<u>(4,618)</u>	<u>3,724</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD	<u>\$ (5,539)</u>	<u>\$ 538</u>

MAJOR BALANCE SHEET ITEMS

	March 31,	
	1982	1981
	(\$000's omitted)	
Working capital (deficiency)	\$ (5,539)	\$ 538
Investments in 50% owned company	1,102	1,046
Property, plant and equipment — net	142,528	132,291
Other assets	842	886
Deferred production revenue	1,674	1,419
Long term debt		
(less current maturities)	9,573	19,479
Deferred income taxes	33,553	29,711
Minority interest	1,588	1,598
Shareholders' equity	92,545	82,554